MISSOURI HOUSING DEVELOPMENT COMMISSION

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Strength, Dignity, Quality of Life

MISSOURI HOUSING
DEVELOPMENT COMMISSION

Contents

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Independent Auditors' Report

The Commissioners
Missouri Housing Development Commission
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the Missouri Housing Development Commission (the Commission), which comprise the statement of net position as of June 30, 2013 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2013, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the Commission adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

The statement of net position of the Commission as of June 30, 2012 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended was audited by other auditors whose report dated September 21, 2012, expressed an unmodified opinion on those financial statements.

Management's Discussion and Analysis

The accompanying management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Commission's financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RubinBrown LLP

September 20, 2013

Our discussion and analysis of Missouri Housing Development Commission's financial performance provides an overview of the Commission's financial activities for the fiscal years ended June 30, 2013, and June 30, 2012. Please read it in conjunction with the Commission's financial statements and accompanying notes.

Introduction - Missouri Housing Development Commission

The Missouri Housing Development Commission (the Commission) was established by the 75th Missouri General Assembly in 1969 and is the housing finance agency for the state of Missouri (State). The Commission is entirely self-supporting and does not draw upon the general taxing authority of the State. The Commission secures resources through the sale of tax-exempt and taxable bonds and notes and through sale of mortgage assets, for the purposes of financing owner-occupied residential mortgage loans for lower- and moderate-income persons and providing construction and long-term financing for rental developments to be occupied by lower and moderate-income persons. The Commission's net position is also a source of funding for such loans and other housing-related programs.

The Commission conducts other programs related to its housing finance activities, including administering the Missouri Housing Trust Fund, the Missouri Affordable Housing Assistance Program and the federal and state housing tax credits for the State. The Commission also administers federal grant programs, including the HOME Investment Partnership Program and contracts for the Project Based Section 8 program, which provides rental subsidies.

Overview of the Financial Statements

This annual financial report consists of three parts: management's discussion and analysis; the financial statements, including notes to the financial statements; and supplemental schedules. The Commission is a self-supporting entity and follows enterprise fund reporting, using the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the Commission.

Certain prior year amounts have been restated to reflect changes in accounting described in Note 1 of the Notes to the Financial Statements.

2013 Financial Highlights

- Total assets were $1.9 billion, a decrease of 11.2% from June 30, 2012, reflecting a decrease in mortgage assets.

- Fiscal year 2013 mortgage investment purchases and originations totaled $260.2 million as compared to $269.9 million in fiscal year 2012. Proceeds from the sale of mortgage assets and principal repayments on mortgage assets totaled $455.0 million in fiscal year 2013 as compared to $468.5 million in fiscal year 2012.

- Single family and multifamily housing bonds issued totaled $286.8 million in fiscal year 2013 and totaled $56.8 million in fiscal year 2012.

- Total revenues were $173.2 million in fiscal year 2013, a decrease of 34.6% from fiscal year 2012. Excluding the net change in fair value of investments, total revenues were $219.2 million in fiscal year 2013, representing a decrease of 10.8%. Revenues from federal programs were $135.5 million in fiscal year 2013 as compared to $147.4 million in fiscal year 2012. Fiscal year 2013 federal programs include $81,000 in revenue from stimulus programs made available by the American Recovery and Reinvestment Act of 2009 as compared to $5.5 million in fiscal year 2012.

- Net operating income, excluding the net change in fair value of investments, was $16.0 million in fiscal year 2013 as compared to $24.0 million in fiscal year 2012. Excluding federal programs and the net change in fair value of investments, net operating income was $15.3 million in fiscal year 2013 as compared to $14.7 million in fiscal year 2012.

- Net position decreased $30.0 million (-4.2%) as of June 30, 2013. Excluding the change in fair value of investments, net position increased $19.9 million (3.2%) as of June 30, 2013.

- Standard and Poor's Rating Services continued the Commission's AA+ Issuer Credit Rating, with a rating outlook for the intermediate to longer term of stable.

2012 Financial Highlights

- Total assets were $2.2 billion, a decrease of 7.7% from June 30, 2011.

- Fiscal year 2012 mortgage investment purchases and originations totaled $269.9 million as compared to $294.4 million in fiscal year 2011. Proceeds from the sale of mortgage assets and principal repayments on mortgage assets totaled $468.5 million in fiscal year 2012 as compared to $223.5 million in fiscal year 2011.

- Single family and multifamily housing bonds issued totaled $56.8 million in fiscal year 2012 and totaled $110.7 million in fiscal year 2011.

- Total revenues were $264.6 million in fiscal year 2012, a decrease of 18.1% from fiscal year 2011. Excluding the net change in fair value of investments, total revenues were $245.6 million in fiscal year 2012, representing a decrease of 23.1%. Revenues from federal programs were $147.4 million in fiscal year 2012 as compared to $216.5 million in fiscal year 2011. Fiscal year 2012 federal programs include $5.5 million in revenue from stimulus programs made available by the American Recovery and Reinvestment Act of 2009 as compared to $76.1 million in fiscal year 2011.

- Net operating income, excluding the net change in fair value of investments, was $24.0 million in fiscal year 2012 as compared to $35.1 million in fiscal year 2011. Excluding federal programs and the net change in fair value of investments, net operating income was $14.7 million in fiscal year 2012 as compared to $7.1 million in fiscal year 2011.

- Net position increased $43.0 million (6.4%) as of June 30, 2012. Excluding the change in fair value of investments, net position increased $36.1 million (6.2%) as of June 30, 2012.

- Standard and Poor's Rating Services continued the Commission's AA+ Issuer Credit Rating, with a rating outlook for the intermediate to longer term of stable.

Financial Position

The following table summarizes the Commission's current, restricted and noncurrent assets and liabilities and displays restricted and unrestricted net position as of June 30, 2013, June 30, 2012, and June 30, 2011.

	June 30,			$ change	
	2013	2012	2011	2013 - 2012	2012 - 2011
Assets					
Current assets	$ 42,365	$ 29,854	$ 40,446	$ 12,511	$ (10,592)
Restricted investments	157,614	147,053	153,241	10,561	(6,188)
Restricted mortgage investments	1,338,862	1,565,411	1,749,142	(226,549)	(183,731)
Other restricted assets	181,216	224,747	229,742	(43,531)	(4,995)
Capital assets	745	976	1,295	(231)	(319)
Other	224,277	222,122	197,921	2,155	24,201
Total Assets	$ 1,945,079	$ 2,190,163	$ 2,371,787	$ (245,084)	$ (181,624)
Deferred Outflows of Resources	$ 405	$ 465	$ 1,016	$ (60)	$ (551)
Liabilities					
Current liabilities	$ 2,579	$ 4,597	$ 20,930	$ (2,018)	$ (16,333)
Current liabilities - payable from restricted assets	141,742	140,872	169,600	870	(28,728)
Long-term bonds and notes payable	1,104,522	1,319,548	1,499,605	(215,026)	(180,057)
Other	9,016	9,098	9,188	(82)	(90)
Total Liabilities	$ 1,257,859	$ 1,474,115	$ 1,699,323	$ (216,256)	$ (225,208)
Deferred Inflows of Resources	$ 1,113	$ —	$ —	$ 1,113	$ —
Net Position					
Net investment in capital assets	$ 745	$ 976	$ 1,295	$ (231)	$ (319)
Restricted	430,720	477,275	464,014	(46,555)	13,261
Unrestricted	255,047	238,262	208,171	16,785	30,091
Total Net Position	$ 686,512	$ 716,513	$ 673,480	$ (30,001)	$ 43,033

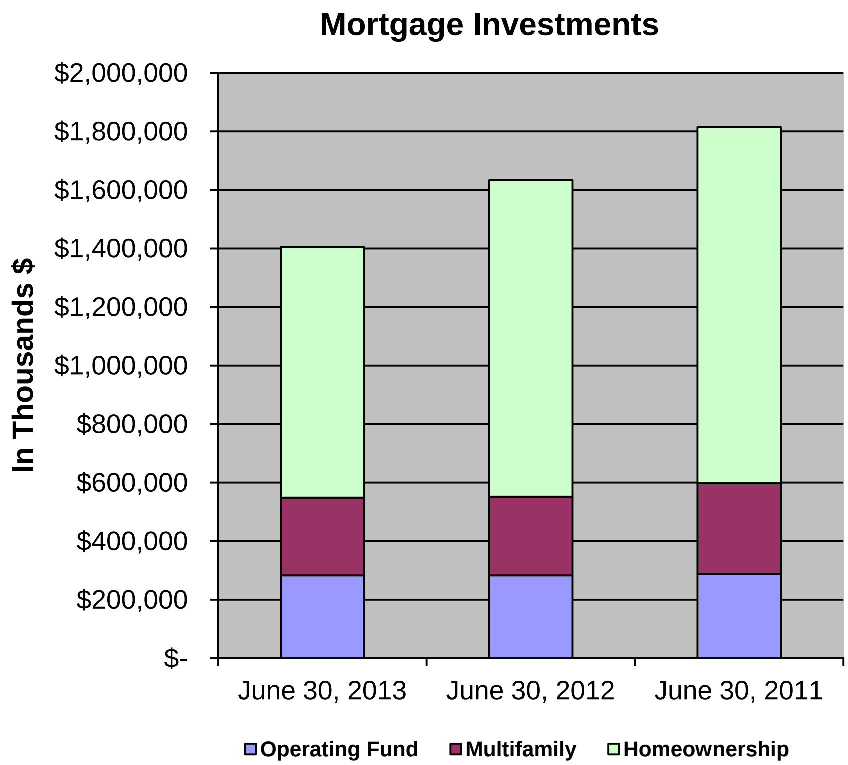
Investments

Investments consist of FHLB term deposits, certificates of deposit, U.S. government and agency fixed rate securities and guaranteed investment agreement contracts. The Commission's investment policy emphasizes preservation of principal. At June 30, 2013, the Commission had $327.3 million in investments as compared to $324.2 million at June 30, 2012, and $302.2 million at June 30, 2011.

Mortgage Investments

The Commission's mortgage investments decreased 14.0% and 9.8% during fiscal years 2013 and 2012, respectively. Mortgage investments comprise 72.2% of the Commission's total assets at June 30, 2013, as compared to 74.6% at June 30, 2012, and 76.5% at June 30, 2011. Government National Mortgage Association (GNMA), Fannie Mae and Federal Home Loan Mortgage Corporation (FHLMC) mortgage-backed securities (MBS) comprise 61.0% of the Commission's mortgage investments at June 30, 2013, compared to 66.8% at June 30, 2012, and 68.2% at June 30, 2011. In fiscal year 2013 new loans totaled $260.2 million, with mortgage asset sales, prepayment activity and change in fair value resulting in a net decrease of $228.1 million in the mortgage investment portfolio as reported. In fiscal year 2012 new loans totaled $269.9 million, with mortgage asset sales, prepayment activity and change in fair value resulting in a net decrease of $181.6 million in the mortgage portfolio as reported. The Commission's loan portfolio is low-risk, with over 99% of the homeownership loan portfolio being GNMA, Fannie Mae and FHLMC MBS and a significant portion of its bond-financed multifamily loan portfolio backed by Federal Housing Administration (FHA) insurance including Risk-Share loans. The Commission's loan loss reserve is 3.1% of total mortgage investments at June 30, 2013 (2.7% at June 30, 2012, and 2.4% at June 30, 2011), which is allocated to uninsured loans, Risk-Share loans and related accrued interest on such loans.

The mix of mortgage investments among operating fund loans, multifamily bond-financed programs and homeownership bond-financed programs at June 30, 2013, 2012 and 2011, is depicted in the following chart:



The Commission's operating fund mortgage investments as reported are comprised of mortgage-backed securities and loans financed with fund balances (net position) and Federal Home Loan Bank (FHLB) advances totaling $94.5 million at June 30, 2013, as compared to $95.5 million at June 30, 2012 and $109.6 million at June 30, 2011. The operating fund loans also include loans financed by the federal HOME Investment Partnership Program totaling $162.7 million at June 30, 2013, as compared to $160.7 million at June 30, 2012, and $151.5 million at June 30, 2011. In addition, the operating fund loans at June 30, 2013, include $26.0 million in loans financed by the federal Tax Credit Assistance Program (TCAP), as compared to $26.1 million at June 30, 2012, and $25.8 million at June 30, 2011. The Commission's multifamily loan portfolio includes FHA-insured Risk-Share mortgage loans, in which the Commission participates in 50% of the insured risk. These loans totaled $172.3 million at June 30, 2013, $172.0 million at June 30, 2012, and $201.2 million at June 30, 2011. The Commission's multifamily loan portfolio also includes conduit loans, which totaled $88.4 million at June 30, 2013, $89.7 million at June 30, 2012, and $97.6 million at June 30, 2011. The conduit loans are financed by the borrowers with limited obligation revenue bonds.

Debt

At June 30, 2013, the Commission had $1.13 billion in bonds and notes outstanding as compared to $1.35 billion outstanding at June 30, 2012, and $1.57 billion at June 30, 2011.

During fiscal year 2013, new debt resulted from conversion of the final series of homeownership Treasury New Issue Bond Program (NIBP) Program Bonds, which totaled $30 million, six series of refunding bond issues totaling $250.3 million, and one multifamily bond issue totaling $6.6 million. The overall net decrease in debt during fiscal year 2013 resulted from principal payments and redemptions that exceeded current year issuances, including a net decrease in FHLB advances of $2.2 million. During fiscal year 2012, new debt resulted from the issuance of one series of homeownership NIBP Market Bonds, which totaled $50 million and one multifamily conduit bond issue totaling $6.8 million. The overall net decrease in debt during fiscal year 2012 resulted from principal payments and redemptions that exceeded issuances, including a net decrease in FHLB advances of $13.2 million. For additional information, see *Note 5*, Bonds Payable and Long-Term Liabilities, in the Notes to Financial Statements.

Net Position

The Commission continues to demonstrate a strong financial position. Excluding the effects of fair value reporting and conduit bond assets, net worth ratio (net position as compared to total assets) was 35.4% at June 30, 2013, as compared to 31.0% at June 30, 2012, and 26.8% at June 30, 2011. Excluding unrealized gains and losses, net position was $641.9 million at June 30, 2013, $622.0 million at June 30, 2012, and $585.9 million at June 30, 2011, representing growth of 3.2% in fiscal year 2013, growth of 6.2% in fiscal year 2012 and growth of 5.8% in fiscal year 2011. A significant portion of the Commission's net position is restricted by bond indentures, grant agreements and other legal requirements. Net position provides liquidity and capital adequacy to support the Commission's general obligations and commitments, such as the Commission's general obligation bonds and participation in the U.S. Department of Housing and Urban Development (HUD) Risk-Share Program, that are secured by the Commission's full faith and credit.

Operating Activities

The following table summarizes the Commission's revenues, expenses and changes in net position for fiscal years 2013, 2012 and 2011.

				$ change	
	2013	**2012**	**2011**	**2013 - 2012**	**2012 - 2011**
Operating Revenues					
Interest and investment income	$ 22,020	$ 99,295	$ 89,411	$ (77,275)	$ 9,884
Grants and federal assistance	135,477	147,351	216,480	(11,874)	(69,129)
Other	15,668	17,940	17,112	(2,272)	828
Total Operating Revenues	173,165	264,586	323,003	(91,421)	(58,417)
Operating Expenses					
Interest expense	47,936	57,194	60,858	(9,258)	(3,664)
Compensation and administrative expenses	12,586	12,574	13,258	12	(684)
Grants and federal assistance	134,784	138,039	188,420	(3,255)	(50,381)
Other	7,860	13,746	21,811	(5,886)	(8,065)
Total Operating Expenses	203,166	221,553	284,347	(18,387)	(62,794)
Change in Net Position	$ (30,001)	$ 43,033	$ 38,656	$ (73,034)	$ 4,377

While the Commission continues to demonstrate strong financial activity, the economy and market conditions have affected financial results. During fiscal year 2013, overall revenues decreased due, primarily, to a decrease in fair value adjustments and a decrease in federal assistance revenue. Interest and investment income decreased $77.3 million in fiscal year 2013 primarily due to fair value adjustments. During fiscal year 2012, overall revenues decreased due, primarily, to a decrease in federal assistance revenue offset by an increase in fair value adjustments. Interest and investment income increased $9.9 million in fiscal year 2012 primarily due to an increase in fair value adjustments. Excluding the effects of fair value reporting, the change in net position was an increase of $19.9 million in fiscal year 2013, $36.1 million in fiscal year 2012 and $32.0 million in fiscal year 2011, demonstrating continued financial strength. The return on average equity and the return on average assets, excluding the effects of fair value reporting and conduit bond-financed assets, were 3.1% and 1.0%, respectively, for fiscal year 2013. This compares to 6.0% and 1.7%, respectively, for fiscal year 2012.

Revenues

Interest and investment income totaled $22.0 million in fiscal year 2013, as compared to $99.3 million in fiscal year 2012 (a decrease of 77.8% in fiscal year 2013) and $89.4 million in fiscal year 2011 (an increase of 11.1% in fiscal year 2012). This income includes a fair value decrease of $46.0 million in fiscal year 2013 and fair value increases of $19.0 million in fiscal year 2012 and $3.5 million in fiscal year 2011. During fiscal year 2013 increasing interest rates caused a corresponding decrease in the fair value of the Commission's portfolio of mortgage-backed securities and other investments. During fiscal year 2012 decreasing interest rates caused a corresponding increase in the fair value of the Commission's portfolio of mortgage-backed securities and other investments. Without the fair value adjustments, interest and investment income decreased 15.3% in fiscal year 2013 and decreased 6.5% in fiscal year 2012, reflecting the decrease in the Commission's mortgage investment asset base and decreases in interest rates and earnings as compared to the prior year. Depending on future financial markets, interest rate fluctuations are expected to have continuing material effects on the Commission's financial statements.

Grants and Federal Assistance

Federal and state grant program revenues and expenses represent activity related to projects funded by HUD (including Section 8 Contract Administration and HOME Investment Partnership) and other federal programs. These revenues totaled $135.5 million in fiscal year 2013 as compared to $147.4 million in fiscal year 2012 and $216.5 million in fiscal year 2011 while expenses incurred were $134.8 million in fiscal year 2013, $138.0 million in fiscal year 2012 and $188.4 million in fiscal year 2011. The fiscal year 2013 and 2012 decreases were primarily due to decreases in the HOME Investment Partnership and federal stimulus funding. HOME Investment Partnership funding has declined reflecting a reduction in federal allocation for this program and totaled $6.5 million in fiscal year 2013, as compared to $17.6 million in fiscal year 2012 and $18.0 million in fiscal year 2011. Federal stimulus programs, including Tax Credit Replacement (TCR), Tax Credit Assistance Program (TCAP) and Homeless Prevention & Rapid Re-Housing Program (HPRP) funding, provided by the American Recovery and Reinvestment Act of 2009 have concluded and totaled $81,000 in revenue in fiscal year 2013, as compared to $5.5 million in fiscal year 2012 and $76.1 million in fiscal year 2011. These programs, along with federal and state tax credit programs, are integral to the Commission's achievement of its objectives. The Commission continues to effectively use federal government programs that serve its mission by utilizing those that provide resources that leverage its net position and other resources to finance affordable multifamily and owner-occupied housing for Missourians as well as provide housing assistance to very low-income Missourians.

Expenses

Interest costs were $47.9 million for fiscal year 2013 as compared to $57.2 million for fiscal year 2012 (a decrease of 16.2% in fiscal year 2013) and $60.9 million for fiscal year 2011 (a decrease of 6.0% in fiscal year 2012). The fiscal year 2013 and 2012 decreases are primarily attributable to the decrease in the amount of total debt outstanding and to the decrease in the rates on newer debt issues, particularly the lower interest rates achieved with refunding bonds and low short-term interest rates on the NIBP Market Bonds.

Beyond the costs associated with debt financing, the Commission's chief operating costs consist of compensation, facilities rent, information systems, professional services and travel expenses. These costs totaled $12.6 million in fiscal year 2013 ($12.6 million in fiscal year 2012 and $13.3 million in fiscal year 2011). Excluding the net change in the fair value of investments, these costs represented 5.7% of revenues in fiscal year 2013 as compared to 5.1% of revenues in fiscal year 2012 and 4.1% of revenues in fiscal year 2011.

Economic and Other Factors

The Commission's programs and activities are subject to economic and other factors that may affect the Commission's financial position and operations. In the coming year, changes in interest rates can be expected to impact investment earnings and may result in large fluctuations in the fair value of investments and mortgage-backed securities.

With respect to financing its homeownership programs, the Commission expects to sell mortgage-backed securities, including sales in the To-Be-Announced (TBA) market as an alternative to financing in the traditional tax-exempt bond market. Mortgage prepayments are expected to result in a decline in mortgage investments to be accompanied by corresponding bond redemptions.

The Commission administers the Project-Based Section 8 program in the State through a contract with HUD, which results in over $100,000,000 in housing assistance payment revenue and expense activity annually. At the option of HUD, the contract, which terminates December 31, 2013, may be extended for successive renewal terms of three months each through December 31, 2014. The Commission has submitted a competitive application to continue the program administration and the ultimate outcome of the selection process is pending.

Contacting the Commission's Financial Management

This financial report is designed to provide the Commission's stakeholders with a general overview of the Commission's finances and to demonstrate accountability of resources. If you have questions about this report or need additional financial information, contact the Director of Finance at the Missouri Housing Development Commission, 3435 Broadway, Kansas City, Missouri, 64111 or visit the Commission's website at www.mhdc.com.

MISSOURI HOUSING DEVELOPMENT COMMISSION

STATEMENT OF NET POSITION
(In Thousands)

	June 30, 2013	June 30, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ **28,583**	$ 4,305
Investments	**3,029**	12,585
Mortgage investments	**8,700**	10,305
Accrued interest receivable	**1,605**	1,691
Accounts receivable - other	**438**	903
Prepaid expenses	**10**	65
Total Current Assets	**42,365**	29,854
Noncurrent Assets		
Restricted assets		
Cash and cash equivalents	**175,631**	218,744
Investments	**157,614**	147,053
Mortgage investments	**1,338,862**	1,565,411
Accrued interest receivable	**5,231**	5,970
Accounts receivable - other	**354**	33
Total restricted assets	**1,677,692**	1,937,211
Investments	**166,658**	164,519
Mortgage investments, net of current portion and allowances for loan losses of $43,322 and $44,172	**57,619**	57,603
Capital assets, less accumulated depreciation of $3,981 and $3,459	**745**	976
Total Noncurrent Assets	**1,902,714**	2,160,309
Total Assets	**1,945,079**	2,190,163
Deferred Outflows of Resources	**405**	465

STAMENT OF NET POSITION *(Continued)*
(In Thousands)

	June 30, 2013	June 30, 2012
Liabilities		
Current Liabilities		
Bonds and notes payable	**$ 19**	$ 2,247
Accounts payable	**1,351**	1,190
Unearned revenue	**1,209**	1,160
Total Current Liabilities	**2,579**	4,597
Current Liabilities - Payable from Restricted Assets		
Bonds and notes payable	**25,490**	26,294
Accrued interest payable	**12,635**	17,442
Escrow deposits	**102,556**	96,046
Rent subsidies and other payables	**338**	338
Accounts payable	**723**	752
Total Current Liabilities - Payable from Restricted Assets	**141,742**	140,872
Noncurrent Liabilities		
Bonds and notes payable	—	19
Unearned revenue	**9,016**	9,098
Payable from restricted assets		
Bonds and notes payable	**1,104,522**	1,319,529
Total Noncurrent Liabilities	**1,113,538**	1,328,646
Total Liabilities	**1,257,859**	1,474,115
Deferred Inflows of Resources	**1,113**	—
Net Position		
Net investment in capital assets	**745**	976
Restricted	**430,720**	477,275
Unrestricted, including designated balances	**255,047**	238,262
Total Net Position	**$ 686,512**	$ 716,513

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
(In Thousands)

	For the Years Ended June 30, 2013	2012
Operating Revenues		
Interest and investment income		
Income - mortgage investments	**$ 61,847**	$ 74,014
Income - investments	**6,180**	6,291
Net increase (decrease) in fair value of investments	**(46,007)**	18,990
Total interest and investment income	**22,020**	99,295
Administration fees	**5,216**	6,969
Other income	**10,452**	10,971
Federal program income	**135,477**	147,351
Total Operating Revenues	**173,165**	264,586
Operating Expenses		
Interest expense on bonds	**47,936**	57,194
Bond debt expense	**3,192**	1,039
Compensation	**8,348**	8,175
General and administrative expenses	**4,238**	4,399
Rent and other subsidy payments	**1,936**	7,908
Housing Trust Fund grants	**2,732**	4,799
Federal program expenses	**134,784**	138,039
Total Operating Expenses	**203,166**	221,553
Change in Net Position	**(30,001)**	43,033
Net Position - Beginning of Year, as Restated	**716,513**	673,480
Net Position - End of Year	**$ 686,512**	$ 716,513

MISSOURI HOUSING DEVELOPMENT COMMISSION

STATEMENT OF CASH FLOWS
(In Thousands)

	For the Years Ended June 30, 2013	2012
Cash Flows from Operating Activities		
Interest received on mortgage investments	**$ 62,627**	$ 74,916
Fees, charges and other	**14,293**	20,856
Principal repayments on mortgage loans	**276,363**	230,420
Proceeds from sale of mortgage loans	**178,636**	238,086
Disbursements of mortgage loans	**(260,227)**	(269,930)
Federal revenue	**135,477**	147,351
Federal expenses	**(134,784)**	(138,039)
Collection of compliance and origination fees	**1,486**	1,452
Cash payments for compensation, administrative and other costs	**(12,063)**	(12,042)
Other operating payments	**(7,673)**	(16,618)
Net Cash Provided by Operating Activities	**254,135**	276,452
Cash Flows from Noncapital Financing Activities		
Retirement of principal on bonds and notes	**(621,794)**	(463,356)
Proceeds from issuance of bonds and notes	**409,773**	250,576
Interest paid on bonds and notes	**(57,551)**	(64,828)
Change in escrow deposits	**6,510**	(1,266)
Net Cash Used in Noncapital Financing Activities	**(263,062)**	(278,874)
Cash Flows Used in Capital and Related Financing Activities		
Payments for capital assets	**(348)**	(276)
Cash Flows from Investing Activities		
Purchases of investments	**(326,151)**	(396,404)
Proceeds from maturities and sales of investments	**310,366**	376,543
Interest received on investments	**6,225**	6,119
Net Cash Used in Investing Activities	**(9,560)**	(13,742)
Net Decrease in Cash and Cash Equivalents	**(18,835)**	(16,440)
Cash and Cash Equivalents - Beginning of Year	**223,049**	239,489
Cash and Cash Equivalents - End of Year	**$ 204,214**	$ 223,049

STATEMENT OF CASH FLOWS (*Continued)*
(In Thousands)

	For the Years Ended June 30,	
	2013	2012
Reconciliation of Increase (Decrease) in Net Position to Net Cash Provided by (Used in) Operating Activities		
Increase (decrease) in net position	**$ (30,001)**	$ 43,033
Adjustments to reconcile increase in net position to net cash provided by (used in) operating activities		
Depreciation	**523**	532
Net decrease (increase) in fair value of investments	**46,007**	(18,990)
Compliance and origination fee receipts	**1,486**	1,452
Amortization of unearned revenue	**(1,519)**	(1,499)
Income - investments	**(6,180)**	(6,291)
Proceeds from sale of mortgage loans	**178,636**	238,086
Net change in mortgage loans	**16,136**	(39,510)
Interest expense related to bonds and capital leases	**47,936**	57,194
Change in assets and liabilities		
Decrease in accounts receivable	**144**	2,364
Decrease in accrued mortgage interest receivable	**780**	902
Decrease (increase) in prepaid expenses	**55**	(5)
Increase (decrease) in accounts payable	**132**	(2,867)
Decrease in real estate owned	**—**	2,051
Net Cash Provided by Operating Activities	**$ 254,135**	$ 276,452

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Missouri Housing Development Commission (the Commission) is a body corporate and politic established on October 13, 1969, by Chapter 215 of the Missouri State Statutes. In accordance with the provisions of Chapter 215 and resolutions of the Commission, the Commission is authorized to make or purchase mortgage loans that are uninsured, partially insured or insured or guaranteed by the federal government and to insure mortgage loans, the funds of which are to be used to develop new or rehabilitated low- and moderate-income housing. The Commission is also authorized to issue bonds for making or purchasing such loans. The outstanding balance of bonds applicable to loans not insured or guaranteed by a federal agency or to bonds rated lower than "AA" by rating agencies at the time of issuance shall not exceed $200,000,000. At June 30, 2013 and 2012, the Commission had $79,649,000 and $80,813,000, respectively, of bonds outstanding applicable to loans that are not so insured or guaranteed or to bonds that are not so rated. Bonds issued by the Commission are not an obligation of the state of Missouri.

Reporting Entity

The Commission defines its reporting entity to include all component units for which the Commission is financially accountable. The extent of financial accountability is based upon several criteria including: appointment of a voting majority of the governing body, imposition of will, financial benefit to or burden on a primary government and financial accountability as a result of fiscal dependency. No separate entities meet the requirements to be considered component units of the Commission.

The Commission is considered a related organization of the state of Missouri for financial reporting purposes. Accordingly, the Commission is included as a footnote disclosure in the state of Missouri's comprehensive annual financial report.

For financial reporting purposes, the Commission reports its operations as a single enterprise fund. Accordingly, the accounting records are maintained on the accrual basis of accounting and all interfund transactions are eliminated. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The Commission's financial statements are prepared using the flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Commission are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases, i.e., revenues, and decreases, i.e., expenses, in total net position.

Revenues and expense are typically divided into operating and nonoperating items. Operating revenues generally result from providing services in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are derived from the investment income from loans and investments, financing fees, federal program funding and other charges related to providing financing for affordable housing through mortgage loans and grants. Operating expenses consist primarily of interest expense on bonds outstanding and federal program expenses and other costs to administer its affordable housing programs. All revenues and expenses not meeting these definitions would be reported as nonoperating revenues and expenses. The Commission has no nonoperating activities.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and on deposit and temporary investments with an original maturity of three months or less. At June 30, 2013 and 2012, cash equivalents consisted primarily of money market funds, overnight repurchase agreements and FHLB daily time accounts and term deposits.

Investments

Securities purchased under agreements to resell, U.S. government and agency securities and mortgage-backed securities are reported at fair value as determined by the investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services on the valuation date. For the year ended June 30, 2013, the net decrease in fair value of investments was $46,007,000 and for the year ended June 30, 2012, the net increase in fair value of investments was $18,990,000.

Mortgage Investments

Proceeds from the sale of bonds as well as resources provided in the Commission's warehousing program and net position are used to make mortgage loans and to purchase mortgage-backed securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (GNMA), Fannie Mae or the Federal Home Loan Mortgage Corporation (FHLMC) and backed by pools of qualifying mortgage loans. Advances made on such loans during the construction period of related housing units are recorded as construction loans and are transferred to mortgage loans upon final endorsement after construction completion. Mortgage and construction loans are reported at cost, while GNMA, Fannie Mae and FHLMC mortgage-backed securities are reported at fair value as determined by external investment custodians and quoted market prices.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for any charge-offs and the allowance for loan losses. Generally, loans are evaluated for nonaccrual status at 90 days past due and interest is considered a loss, unless the loan is well secured and in the process of collection.

Allowance for Loan Losses

The allowance for loan losses is for uninsured loans, Risk-Share loans and related accrued interest on such loans. The allowance is management's estimate of uncollectible loans and related accrued interest and is based on existing payment conditions, prior experience and such other factors that, in management's opinion, require consideration. For financial statement presentation, the allowance for loan losses has been netted against the noncurrent portion of mortgage and construction loans.

Real Estate Owned

Real estate owned was acquired through a deed in lieu of a foreclosure transaction and was recorded at the value of the investment in the loan, which was lower than the estimated fair market value less estimated selling costs. During 2012, the real estate owned was sold and the related activity, including the gain on sale, totaled $2,255,000 and is included in other income.

Original Issue Discounts/Premiums

Original issue bond discounts and premiums are deferred and amortized over the life of the related issue using the outstanding bond method, which approximates the effective interest method.

Capital Assets

Capital assets consist of leasehold improvements, software, office furniture and equipment, which are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from three to nine years. The Commission defines capital assets as assets with an initial, individual cost of more than $750 and an estimated useful life in excess of one year.

Arbitrage Rebate

Federal income tax rules limit the investment and loan yields which the Commission may retain for its own use from investing the proceeds of certain tax-exempt bond issues. The excess yields payable to the U.S. Treasury are included in accounts payable and are based on estimated calculations performed by an independent valuation specialist on an ongoing basis.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred ouflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net positon that applies to future periods and so will not be recognized as an outflow of resources until then. The Commission's deferred outflows of resources includes charges on debt refundings that resulted from the difference in the carrying value of the refunded debt and its reaquisiton price. This amount is deferred and amortized as a component of interest expense on bonds over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resouces, represents an acquisition of net positon that applies to future periods and so will not be recognized as an inflow of resources until then. The Commission's deferred inflows of resources includes charges on debt refundings that resulted from the difference in the reaquisiton price and carrying value of refunded debt. This amount is deferred and amortized as a reduction to interest expense on bonds over the shorter of the life of the refunded or refunding debt.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the financial statements. Net position is classified as follows:

Net Investment in Capital Assets: This component of net position consists of capital assets, net of accumulated depreciation.

Restricted Net Position: This component of net position consists of restrictions placed on net position use through external constraints imposed by grant agreements and contracts, laws or regulations of other governments, bond resolution or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: Represents net position used at the discretion of the Board of Commissioners to complement bond and loan programs, to fund housing initiatives and to provide for the Commission's operations. Certain unrestricted net position has been designated by the Commission to provide for its housing programs. Unrestricted net position provides additional security for the Commission's general obligations and commitments.

Fees, Charges and Expenses

Unearned revenue consists primarily of tax credit fees and compliance monitoring fees that are recognized as income over the contractual periods.

Service and other fees and charges are recorded as income when earned and the associated administrative expenses are recorded as incurred.

Operating expenses identifiable to a particular program are charged directly to the program. All other operating expenses are accounted for by the Commission in the Operating Fund (see Note 2).

Federal Assistance and Grants

The Commission administers grants and federal assistance programs, representing "pass-through" financial assistance, on the behalf of secondary recipients. The Commission recognizes financial activity related to pass-through grants and financial assistance as revenues and expenses of the Commission. Grants received from federal, state and local governments are recognized as operating revenue as the related expenditures are incurred.

Debt Refunding

For current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the bonds outstanding method. The deferred refunding amounts are classified as deferred inflows or deferred outflows of resources in the financial statements.

New Accounting Standards

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement renames the "statement of net assets" to the "statement of net position" and provides guidance for reporting deferred inflows of resources, deferred outflows of resources, and net position. Deferred outflows of resources are defined as a consumption of net position that is applicable to a future reporting period. Similarly, deferred inflows of resources are defined as an acquisition of net position that is applicable to a future reporting period. Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the financial statements. GASB No. 63 was effective for the Commission in 2013.

In March 2012, GASB issued Statement No. 65 *Items Previously Recorded as Assets and Liabilities.* This statement is effective for periods beginning after December 15, 2012 and reclassifies certain items currently reported as assets and liabilities to deferred outflows of resources, inflow of resources and outflow of resources. As a result of implementing this statement, the following assets and liabilities have been reclassified, as indicated:

Asset or Liability Item	New Classification	Amount (in thousands)
Deferred loan origination fees (previously included in mortgage investments, net)	Inflow of resources	$ 2,718
Deferred amount on refunding (previously included in bonds payable, net)	Deferred outflows of resources	$ 465
Bond issuance costs (the unamortized portion was previously reported as an asset)	Outflow of resources	$ 8,105

The Commission elected to early adopt GASB No. 65 in fiscal year 2013 resulting in certain reclassifications and presentation changes to the statement of net position. The effect of these changes has been applied retroactively; as a result the beginning of year net position has been changed to reflect the recognition of loan origination fees and the expensing of bond issuance costs. The impact of these changes on the Commission's financial statements is as follows (in thousands):

	July 1, 2011
Net position, as previously reported	$ 679,771
Effect of change in accounting related to loan origination fees	3,195
Effect of change in accounting related to bond issuance costs	(9,486)
	(6,291)
Net position, as restated	$ 673,480

Reclassifications

Certain 2012 amounts have been reclassified, where appropriate, to conform to the 2013 financial statement presentation.

2. Description of Funds or Programs

The following describes the funds or programs maintained by the Commission, all of which conform to Chapter 215 of the Missouri State Statutes and the respective bond resolutions.

Operating Fund

Funding of the Operating Fund on an ongoing basis is derived principally from allowable transfers from other funds, fees earned for administering various U.S. Department of Housing and Urban Development (HUD) programs, and interest income from Operating Fund investments and mortgage loans. Mortgage and construction loans in the Operating Fund are collateralized by deeds of trust on the related properties, including approximately $4,670,000 and $5,426,000 at June 30, 2013 and 2012, respectively, which are insured by HUD or guaranteed by the Veterans Administration (VA). These insured loans include $3,451,000 and $3,895,000 at June 30, 2013 and 2012, respectively, which are FHA-insured "Risk-Share Mortgage Loans," as described in *Note 4*. Authorized activities of the Operating Fund include the following:

- Payment of general and administrative expenses and other costs not payable by other funds of the Commission.
- Financing multifamily or homeownership residential housing units from accumulated fund balances, if financing of such units is not provided for under existing bond indentures.
- Those activities deemed necessary to fulfill the Commission's corporate purposes for which special funds are not established.

The Commission administers the Missouri Housing Trust Fund, which provides for a variety of housing needs, such as emergency home repair, emergency rent, mortgage or utility payments, acquisition, rehabilitation or new construction of transitional housing and related services for very low-income families and individuals. The Missouri Housing Trust Fund is authorized by Section 215.034, RSMo and its financial activities are included in the financial statements of the Commission. In addition, separate financial statements for the Missouri Housing Trust Fund may be obtained through the Commission.

Multifamily 2000 Indenture Bond-Financed Programs

The Commission's Multifamily 2000 Indenture Bond-Financed Programs were established to account for the proceeds from the bond sales, debt service requirements and the related mortgage loans on eligible rental developments pursuant to the Commission's Trust Indenture dated as of June 1, 2000. All loans are insured by HUD, including HUD's Risk-Share Program.

Other Multifamily Bond-Financed Programs

The Commission's Other Multifamily Bond-Financed Programs were established to account for the proceeds from the bond sales, debt service requirements and the related mortgage loans and mortgage-backed securities on eligible rental developments pursuant to the Commission's multifamily trust indentures, excluding the Commission's Trust Indenture dated as of June 1, 2000. All loans, with the exception of most of the loans financed by conduit Rental Housing Revenue Bonds, are insured by HUD. Uninsured conduit loans, which totaled $79,649,000 and $80,813,000 at June 30, 2013 and 2012, respectively, are financed by the borrowers with limited obligation revenue bonds which are denoted by "**" in *Note 5*.

Rural Growth and Homeownership Bond-Financed Programs

The Commission's Rural Growth and Homeownership Bond-Financed Programs were established to account for the proceeds from the sale of bonds, debt service requirements and the related mortgage loans and mortgage-backed securities on eligible owner-occupied units. All loans are either insured by the Federal Housing Administration or qualified private mortgage insurers or guaranteed by the VA or USDA/RD.

Special Homeownership Bond-Financed Program

The Commission's Special Homeownership Bond-Financed Program was established under the United State Treasury's Single Family New Issue Bond Program to account for the proceeds from the sale of bonds, debt service requirements and the related mortgage-backed securities on eligible owner-occupied units.

3. Cash and Investments

A summary of cash and investments as of June 30, 2013 and 2012 is as follows (in thousands):

	2013		2012	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Cash and cash equivalents				
Cash	$ 34,917	$ 34,917	$ 34,614	$ 34,614
FHLB daily time accounts	710	710	2,970	2,970
FHLB term deposits	25,150	25,150	—	—
Securities purchases under agreements to resell	1,031	1,031	2,245	2,245
Money market funds	142,406	142,406	183,220	183,220
Total cash and cash equivalents	$ 204,214	$ 204,214	$ 223,049	$ 223,049
Investments				
Certificates of deposit	$ 10,900	$ 10,900	$ —	$ —
FHLB term deposits	2,700	2,700	3,000	3,000
U.S. Treasury bonds and notes and agency obligations	289,417	280,900	284,767	288,725
Guaranteed investment contracts	32,801	32,801	32,432	32,432
Total investments	335,818	327,301	320,199	324,157
Total cash and cash equivalents and investments	$ 540,032	$ 531,515	$ 543,248	$ 547,206

Investment Policy

General

The Commission's Investment Policy and Guidelines are formalized in Resolution No. 925. This policy applies to investments that are not held by a trustee in connection with bond or note issues. This policy permits the Commission to invest in obligations of the state of Missouri, obligations of the United States of America, obligations issued or guaranteed by certain agencies of the federal government, certain collateralized repurchase agreements and certificates of deposit. The general policy of the Commission is to make investments for future funding requirements and not for trading purposes. At June 30, 2013, all of the Commission's general investments (non-bond related investments) were in compliance with the Commission's Investment Policy and Guidelines.

Indentures

The Commission's Bond Indentures permit investments in the direct obligations of, or obligations guaranteed by, the United States of America, certificates of deposit, investment agreements and certain other investments permitted by applicable law. At June 30, 2013, all investments of debt-related issues held by the Commission's trustees were in compliance with the requirements of the Indentures.

Investment Maturities

As of June 30, 2013 and 2012, the Commission had the following investments and maturities (amounts are in thousands):

June 30, 2013

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1 - 5	6 - 10	More Than 10
Certificates of deposit	$ 10,900	$ 10,500	$ 400	$ —	$ —
FHLB term deposits	2,700	2,700	—	—	—
U.S. Treasury securities	12,740	800	4,750	—	7,190
U.S. agency securities	268,160	10,392	41,571	216,197	—
Guaranteed investment contracts	32,801	—	—	1,620	31,181
Total investments	$ 327,301	$ 24,392	$ 46,721	$ 217,817	$ 38,371

June 30, 2012

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1 - 5	6 - 10	More Than 10
FHLB term deposits	$ 3,000	$ 3,000	$ —	$ —	$ —
U.S. Treasury securities	14,790	2,001	4,842	—	7,947
U.S. agency securities	273,935	24,353	52,290	197,292	—
Guaranteed investment contracts	32,432	—	—	1,620	30,812
Total investments	$ 324,157	$ 29,354	$ 57,132	$ 198,912	$ 38,759

The Commission's Investment Policy and Guidelines limit investments for general funds in repurchase agreements to 90 days and U.S. Treasury and U.S. agency securities to 10 years. The demand repurchase agreements are collateralized by obligations of the United States of America or its agencies, and have a one-day demand of funds provision exercisable at the Commission's option. The bond resolutions and indentures allow for investments in obligations of the United States of America and investment agreements for the terms specified in these documents, generally 30 years.

At June 30, 2013, as reported at fair value, the Commission's U.S. agency securities consist of $100,398,000 Federal Farm Credit Bank (FFCB), $94,353,000 Fannie Mae, $47,532,000 Federal Home Loan Bank (FHLB) and $25,877,000 FHLMC debt securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of investments. The Commission manages interest rate risk by structuring investment portfolios so that securities mature to meet cash requirements for ongoing operations and debt service obligations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk

The Commission's investments in U.S. government agency securities and money market funds are rated in the highest rating category by Moody's Investor Services (Aaa) and AA+ by Standard & Poor's. Repurchase agreements are unrated, but collateralized by U.S. agency securities. Guaranteed investment contracts are unrated. The contracts generally contain "termination" clauses so the Commission may withdraw funds early if credit ratings deteriorate below specified levels and collateral or a guarantee is not provided.

Concentration of Credit Risk

The Commission places no limit on the amount the Commission may invest in any one issuer with respect to U.S. Treasury Securities and U.S. government agency securities. Obligations of the state of Missouri and collateralized certificates of deposit are limited to 60% of the nonbond fund portfolio, each. Collateralized repurchase agreements are limited to 50% of the nonbond fund portfolio. The following table lists investments, including FHLB term deposits, in issuers that represent 5% or more of total investments at June 30, 2013:

Issuer	Percent of Total Investments
Federal Farm Credit Bank	30.7%
Fannie Mae	28.8%
Federal Home Loan Bank	15.4%
Federal Home Loan Mortgage Corporation	7.9%

Custodial Credit Risk

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with its policy, the Commission addresses custodial credit risk by pre-qualifying institutions with which the Commission places investments, diversifying its investment portfolio and maintaining a standard of quality for its investments.

Investments in U.S. government and agency securities are carried at fair value. At June 30, 2013 and 2012, securities approximating $268,960,000 and $273,935,000, respectively, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Commission's name.

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Commission may not be able to recover its deposits. Protection of the Commission's deposits of $34,818,000 and collateralized certificates of deposits of $10,900,000 is provided by the Federal Deposit Insurance Corporation and by eligible securities pledged by the financial institution. Deposits with the FHLB include $99,000 in a demand deposit account, $710,000 in daily time accounts and $27,850,000 in term deposits, which are uninsured and uncollateralized, secured by the full faith and credit of the FHLB System with implicit government support. The Commission's money market funds of $142,406,000 are uninsured and uncollateralized and are invested primarily in portfolios of U.S. Treasury and government agency securities.

4. Mortgage Investments

Mortgage investments reflected in the statement of position consist of the following as of June 30, 2013 and 2012 (in thousands):

	2013	2012
Total mortgage loan principal outstanding	**$ 591,999**	$ 586,904
Less: Allowance for mortgage loan losses	**(43,322)**	(44,172)
Mortgage loans, net	**548,677**	542,732
Total mortgage-backed securities, at cost	**803,360**	1,000,022
Unrealized gain on securitized mortgage loans	**53,144**	90,565
Mortgage-backed securities, at fair value	**856,504**	1,090,587
Mortgage investments, net	**$ 1,405,181**	$ 1,633,319

Mortgages include loans financed by the federal HOME Investment Partnership Program totaling $184,225,000 and $182,685,000 as of June 30, 2013 and 2012, respectively. A portion of these loans totaling $62,992,000 and $60,468,000 at June 30, 2013 and 2012, respectively, include prepayment terms allowing deferment or repayment based on net income of the multifamily developments. An estimated allowance for mortgage loan losses of $21,547,000 and $21,933,000 is attributable to this portfolio at June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, mortgages also include $30,284,000 and $30,367,000, respectively, in loans financed by the federal Tax Credit Assistance Program (TCAP). An estimated allowance for mortgage loan losses of $4,286,000 and $4,294,000 is attributable to this portfolio at June 30, 2013 and 2012, respectively.

The Commission warehouses mortgage-backed securities created by its single family homeownership programs. The securities have been funded by net position or through short-term FHLB advances which are secured by pledged U.S. agency securities and mortgage-backed securities, which totaled $17,511,000 at June 30, 2013, and $28,472,000 at June 30, 2012. There were no warehoused mortgage-backed securities held at June 30, 2013 and there was $8,903,000 in the balance of warehoused mortgage-backed securities at June 30, 2012.

The Rural Growth and Homeownership Bond-Financed Programs and the Special Homeownership Bond-Financed Program generally require that mortgage loans be made to borrowers whose household income does not exceed the statewide median income, based on family size. For loans financed with tax-exempt bond proceeds, Section 143 of the Internal Revenue Code specifies certain requirements with respect to the nature of the residence, mortgage and eligibility of the borrower. The Rural Growth and Homeownership Bond-Financed Programs and the Special Homeownership Bond-Financed Program provide funding for mortgage loans that are FHA insured, VA guaranteed, USDA/RD guaranteed or Fannie Mae-qualified conventional loans.

The Multifamily Bond-Financed Programs provide long-term financing for rental housing developments for occupancy by families and persons of low and moderate incomes. The Commission has entered into a Risk Sharing Agreement with HUD, which permits the Commission to participate in HUD's Risk-Share Program. In accordance with the terms of this agreement, HUD will insure certain mortgage loans on rental housing developments (FHA-insured "Risk-Share Mortgage Loans") and the Commission will underwrite the Risk-Share Mortgage Loans following its underwriting guidelines. HUD will insure the Risk-Share Mortgage Loans and will bear 50% of the risk and the Commission will bear the remaining 50% of the risk. The Commission had Risk-Share Mortgage Loans totaling $172,272,000, representing 62 loans as of June 30, 2013, and $171,962,000, representing 62 loans as of June 30, 2012.

The proceeds of the Rental Housing Revenue Bonds, the Homeownership Revenue Bonds and the Special Homeownership Revenue Bonds as well as resources of the Commission's Mortgage-Backed Security Warehousing Program, as listed below, were used to purchase GNMA, Fannie Mae and FHLMC certificates collateralized by mortgage loans approved in accordance with the guidelines of the Commission's mortgage programs. The financing periods of the pooled mortgage loans financed by the Homeownership, Special Homeownership and Multifamily Programs are 30 years. Mortgage-backed securities have repayments based on the underlying pooled mortgages and are subject to prepayment.

The fair value of the mortgage-backed securities is sensitive to changes in interest rates, which may result in large fluctuations in carrying value and investment earnings as reported. The mortgage-backed securities held have stated interest rates ranging from 2.50% to 8.30%, while the underlying mortgages have stated interest rates ranging from 3.0% to 8.8%.

GNMA, Fannie Mae and FHLMC certificates, which are included in mortgage investment balances, are presented in the statement of net position at fair value. The Commission's mortgage-backed securities are rated in the highest rating category by Moody's Investor Services (Aaa) and AA+ by Standard & Poor's. As of June 30, 2013, the par value of securitized mortgage loans consist of 87.7% GNMA, 10.9% Fannie Mae and 1.4% FHLMC certificates. All other loans included in mortgage investments are carried at cost. The following summarizes the carrying value and cost of mortgage investments (in thousands):

	2013		2012	
	Carrying Value	**Cost**	**Carrying Value**	**Cost**
GNMA, Fannie Mae and FHLMC mortgage-backed securities	$ 856,504	$ 803,360	$ 1,090,587	$ 1,000,022
Other mortgage loans	591,999	591,999	586,904	586,904
Total mortgage investments	$ 1,448,503	$ 1,395,359	$ 1,677,491	$ 1,586,926

5. Bonds Payable and Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2013 (in thousands):

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Amount Due Within One Year
Operating - notes payable	$ 2,193	$ 361,748	$ (363,941)	$ —	$ —
Multifamily 2000 Indenture Bond-Financed Programs	158,688	64,855	(32,676)	190,867	3,635
Other Multifamily Bond-Financed Programs	115,757	—	(21,532)	94,225	2,365
Rural Growth & Homeownership Bond-Financed Programs	658,608	—	(219,356)	439,252	7,163
Special Homeownership Bond-Financed Program	394,325	221,994	(223,148)	393,171	10,809
Total bonds and notes payable	1,329,571	648,597	(860,653)	1,117,515	23,972
Unamortized premium and discount, net	18,445	34	(5,982)	12,497	1,518
Total bonds and notes payable, net	1,348,016	648,631	(866,635)	1,130,012	25,490
Unearned revenue	10,258	185	(218)	10,225	1,209
Capital leases	73	—	(54)	19	19
Total long-term debt and other obligations	$ 1,358,347	$ 648,816	$ (866,907)	$ 1,140,256	$ 26,718

The net proceeds of bond issues are used to provide financing for multifamily bond financed housing projects or for homeownership residential housing units. The bond proceeds are deposited with and invested by various bank trust departments in qualified investments until required for such financing. These bonds are obligations of the Commission and are not liabilities of the state of Missouri. A summary of bonds payable outstanding at June 30, 2013 and 2012 follows (in thousands), including the applicable calendar date reference for future maturities or final redemption:

	Original Amount Authorized	Outstanding 2013	Outstanding 2012
Multifamily 2000 Indenture Bond - Financed Program			
2002 Series 1 Bevo-Bavarian - redeemed November 2012	$ 12,890	$ —	$ 11,585
2002 Series 2 Columbia Square Townhomes - redeemed November 2012	4,440	—	3,060
2002 Series 4 Hawthorne Place Apts. - redeemed November 2012	20,505	—	12,825
2003 Series 1 Pevely Square Apts. (5.20% to 5.30%), due 2023 - 2034	5,105	2,285	2,345
2003 Series 2 Parkview Place Apts. (4.30% to 5.25%), due 2013 - 2035	5,715	3,755	3,885
2003 Series 3 Hyder Elderly Apts. (4.60% to 5.625%), due 2013 - 2040	3,965	3,555	3,615
2003 Series 4 Ridge Crest Apts. (4.60% to 5.45%), due 2013 - 2035	3,925	2,145	2,200
2003 Series 5 Kensington Heights Apts. (4.20% to 5.28%), due 2013 - 2040	5,075	4,505	4,585
2003 Series 6 Historic Ellison Apts. (3.90% to 5.00%), due 2013 - 2035	5,280	1,905	1,955
2003 Series 7 Autumn House/Jefferson Manor (4.30% to 5.10%), due 2013 - 2035	4,695	4,005	4,105
2003 Series 8 Stratford Commons (4.20% to 5.20%), due 2013 - 2035	4,385	1,945	1,995
2003 Series 9 Rural Development Apts. (4.35% to 5.10%), due 2013 - 2034	8,590	3,070	3,150
2003 Series 10 Hidden Valley Apts. (4.05% to 5.10%), due 2013 - 2036	10,880	9,390	9,615
2004 Series 1 Hickory Townhomes (4.05% to 4.95%), due 2018 - 2036	3,160	2,720	2,790
2004 Series 2 Winter Garden Apts. (4.00% to 4.95%), due 2013 - 2035	4,190	3,550	3,640
2004 Series 3 Woodlen Place Apts. (5.10% to 5.33%), due 2018 - 2035	1,800	1,165	1,195
2004 Series 4 Festus Gardens Apts. (5.25%), due 2036	5,990	3,915	4,005
2004 Series 5 FP-San Remo Apts. (4.65% to 5.45%), due 2013 - 2036	3,785	2,055	2,105
2004 Series 6 Allen Market Lane Apts. (4.70% to 5.15%), due 2018 - 2036	6,735	3,230	3,300
2005 Series 1 St. Louis Brewery Apts. (4.50% to 4.90%), due 2020 - 2036	8,125	3,080	3,150
2005 Series 2 Meadowglen Apts. (3.80% to 4.85%), due 2013 - 2042	8,540	6,450	6,555
2005 Series 3 Olde Oak Tree & Landmark Towers (4.15% to 4.80%), due 2016- 2036	6,520	5,360	5,490
2005 Series 4 Park Place Apts. (4.00% to 4.70%), due 2013 - 2037	10,330	9,100	9,310
2005 Series 5 Hawkins Village Apts. (4.25% to 5.00%), due 2013 - 2042	5,335	4,860	4,940
2005 Series 6 Ivanhoe Gardens Apts. (4.125% to 4.875%), due 2013 - 2036	4,240	2,335	2,385
2006 Series 1 Meadow Ridge Townhouses (4.20% to 5.00%), due 2013 - 2037	6,360	2,460	2,650
2006 Series 2 Ashley Park Apts. (4.20% to 4.875%), due 2013 - 2037	7,290	5,900	6,030
2006 Series 3 Eureka & Wendell Apts. (4.20% to 5.00%), due 2013 - 2047	3,165	3,000	3,030
2006 Series 4 Justin Place Apts. (4.375% to 5.00%), due 2013 - 2042	5,640	2,105	2,135
2006 Series 5 Metropolitan Village Apts. (4.375% to 5.00%), due 2013 - 2038	5,960	5,445	5,555
2007 Series 1 Linden Campus Apts. (4.00% to 4.70%), due 2013 - 2048	3,980	1,900	1,920
2009 Series 1 Courthouse Apts. (3.00% to 5.25%), due 2015 - 2042	18,940	5,710	5,775
2010 Series 1 Basie Court Apts. (1.10% to 4.50%), due 2013 - 2042	4,967	1,467	1,497
2010 Series 2 Samantha Heights Apts. (1.45% to 4.75%), due 2013 - 2042	8,610	6,250	6,310
2010 Series 3 Wesley Senior Towers Apts. (1.40% to 5.125%), due 2013- 2042	5,395	2,875	5,395
2010 Series 4 Lucas Heights Apts. (2.85% to 5.40%), due 2016 - 2042	8,175	3,545	3,575
2010 Series 5 Grandview Estates (2.85% to 5.25%), due 2016 - 2042	3,531	1,015	1,031
2012 Series 1 Refunding Bonds (.5% to 4.25%), due 2013-2038	42,740	42,700	—
2013 Series 1 Friendship Village (.75% to 3.75%), due 2014 - 2045	6,555	6,555	—
2013 Series 2 Refunding Bonds (.35% to 4.65%), due 2014-2040	15,560	15,560	—
Total Multifamily 2000 Indenture Bond - Financed Program	311,068	190,867	158,688
Less: Unamortized debt discount	—	(126)	(134)
Add: Unamortized debt premium	—	385	372
	311,068	191,126	158,926

	Original Amount Authorized	Outstanding 2013	Outstanding 2012
Other Multifamily Bond - Financed Program			
Series September 1, 1989, Westminster Place***- redeemed December 2012	$ 1,845	$ —	$ 1,270
Series 1999 O'Fallon Place Apts. (4.80% to 5.25%), due 2013 - 2032*,**	6,710	5,185	5,315
Series 1999 The Mansion Apts. Phase II (6.125% to 6.170%), due 2022 - 2032 **	6,730	5,620	5,755
Series 1999 East Hills Village Apts. (7.30%), due 2030**	2,750	2,295	2,355
2000 Series 1 - redeemed November 2012	11,540	—	9,040
2001 Series I (5.00% to 5.25%), due 2015 - 2027	21,780	2,225	3,465
2001 Series II (5.25% to 5.50%), due 2016 - 2023	46,360	2,615	3,735
2001 Series III (4.90% to 5.25%), due 2013 - 2021	22,850	1,030	1,170
2001 Series 1A - redeemed November 2012	7,300	—	4,260
2001 Series 2A - redeemed November 2012	3,800	—	3,100
Series 2002 G JB Hughes Apts. I & II (6.20% to 6.30%), due 2019 - 2037*,**	2,550	2,240	2,279
Series 2002 H JB Hughes Apts. I & II (6.90%), due 2038**	450	134	134
Series 2004 Bridgeport Apts. (6.60%), due 2041**	6,580	6,190	6,261
2005 Series I-A and I-B Lakewood Apts. (5.25%), due 2035*,**	2,750	1,280	1,310
2005 Series II ChapelRidge of St. Joseph (6.30%), due 2047**	7,150	6,874	6,922
2005 Series III ChapelRidge of Union (6.40%), due 2047**	6,375	6,133	6,177
2005 Series IV ChapelRidge of Blue Springs (6.40%), due 2047**	9,800	9,459	9,525
2006 Series I Bainbridge Apts. (5.75%), due 2016 - 2048**	15,046	4,057	4,173
2006 Series II Georgian Court Apts. (5.75%), due 2016 - 2048**	8,721	2,093	2,170
2006 Series III Linda Vista Apts. (5.75%), due 2016 - 2048**	5,329	1,010	1,047
2006 Series IV Washington Apts. (6.568%), due 2024**	7,500	2,692	2,733
2006 Series V Lost Tree South Apts. (6.244%), due 2026**	4,400	2,974	3,015
2006 Series VII Cedar Tree Apts. (5.73%), due 2026**	2,500	1,695	1,718
2006 Series VIII Elmwood Estates Apts. (5.73%), due 2026**	3,200	2,592	2,624
2006 Series IX Catalpa Tree Apts. (5.73%), due 2026**	1,800	1,262	1,279
2006 Series X Center Apts. (5.73%), due 2026**	1,900	1,175	1,189
2007 Series I Park Ridge Apts. (5.665%), due 2039**	12,000	10,344	10,515
2007 Series II Mexico I Apts. (5.88%), due 2026**	1,100	640	651
2007 Series III Princeton Manor Apts. (variable rate), due 2027**	2,152	1,533	1,548
2007 Series IV Oakwood Terrace Apts. (variable rate), due 2027**	970	756	763
2007 Series V Westside Apts. (variable rate), due 2027**	2,400	854	866
2007 Series VI Longfellow Apts. (variable rate), due 2040**	6,400	2,600	2,635
2011 Series I Brookstone Village (6.00%), due 2021**	6,800	6,668	6,758
Total Other Multifamily Bond - Financed Program	249,538	94,225	115,757
Less: Unamortized debt discount	—	(3)	(4)
Add: Unamortized debt premium	—	3	4
	249,538	94,225	115,757

	Original Amount Authorized	Outstanding 2013	Outstanding 2012
Rural Growth & Homeownership Bond – Financed Programs			
1999 Series I (5.10%), due 2030	$ 5,095	$ 155	$ 310
2003 Series A - redeemed April 2013*	50,000	—	9,955
2003 Series B - redeemed April 2013*	78,795	—	18,125
2003 Series C - redeemed April 2013*	60,000	—	17,135
2003 Series D - redeemed April 2013*	70,000	—	18,020
2004 Series A (3.80% to 5.15%), due 2013 - 2035*	57,280	16,005	19,590
2004 Series B (4.80% to 6.35%), due 2013 - 2035*	60,000	13,475	17,090
2004 Series C (4.20% to 6.00%), due 2013 - 2035*	60,000	15,835	19,945
2004 Series D (3.90% to 5.50%), due 2013 - 2035*	40,000	12,190	15,795
2005 Series A (4.00% to 5.90%), due 2013 - 2036*	54,680	15,857	20,539
2005 Series B (4.30% to 5.80%), due 2013 - 2036*	75,000	19,990	27,975
2005 Series C (4.05% to 5.60%), due 2013 - 2036*	68,000	22,715	29,230
2005 Series D (4.10% to 6.00%), due 2013 - 2036*	50,000	13,150	18,240
2006 Series A (4.05% to 6.00%), due 2013 - 2037*	50,000	12,280	17,185
2006 Series B (4.20% to 6.05%), due 2013 - 2037*	100,000	27,160	37,645
2006 Series C (4.20% to 5.90%), due 2013 - 2037*	60,000	18,270	25,665
2006 Series D (4.95% to 6.15%), due 2013 - 2037*	70,000	17,580	25,120
2006 Series E (5.60% to 5.88%), due 2037*	40,000	11,200	15,460
2007 Series A (4.625% to 6.00%), due 2013 - 2038*	50,000	14,890	20,465
2007 Series B (5.05% to 5.78%), due 2038*	35,000	11,475	17,305
2007 Series C (4.70% to 6.25%), due 2013 - 2038*	100,000	34,730	48,460
2007 Series D (4.70% to 6.38%), due 2013 - 2038*	50,000	15,070	21,985
2007 Series E (5.00% to 5.60%), due 2013 - 2038*	66,000	25,080	32,670
2008 Series A (3.35% to 5.70%), due 2013 - 2039*	50,000	16,885	23,010
2008 Series B (4.50% to 5.75%), due 2013 - 2034*	65,000	17,450	29,195
2008 Series C-1 (5.615%), due 2039*, ***	8,000	2,822	4,312
2008 Series C-2 (4.48%), due 2039*, ***	12,000	3,737	5,222
2008 Series C-3 (5.24%), due 2039*, ***	10,000	2,984	4,702
2008 Series C-4 (5.06%), due 2039*, ***	10,000	3,640	5,819
2009 Series A (2.70% to 5.35%), due 2013 - 2039*	30,000	15,350	20,715
2009 Series B-1 (4.63%), due 2040*, ***	10,000	3,821	5,552
2009 Series B-2 (4.64%), due 2040*, ***	5,000	3,176	3,432
2009 Series C (2.15% to 5.00%), due 2013 - 2036*	40,000	23,825	27,605
2009 Series D (1.80% to 4.80%), due 2013 - 2040*	45,000	28,455	35,135
	1,634,850	439,252	658,608
Less: Unamortized debt discount	—	(21)	(38)
Add: Unamortized debt premium		9,849	15,357
Total Rural Growth & Homeownership Bond – Financed Programs	1,634,850	449,080	673,927

	Original Amount Authorized	Outstanding 2013	Outstanding 2012
Special Homeownership Bond - Financed Program			
2009 Series E - redeemed December 2012*	$ 260,000	$ —	$ 30,000
2009 Series E-1 (1.60% to 5.00%), due 2013 - 2041*	100,000	24,660	79,895
2009 Series E-2 (1.15% to 4.50%), due 2013 - 2041*	100,000	28,145	88,595
2009 Series E-3 (1.10% to 4.625%), due 2013 - 2041*	100,000	32,055	95,875
2009 Series E-4 (0.65% to 4.25%), due 2013 - 2041*	100,000	92,370	99,960
2009 Series E-5 (2.53%) due 2041*	30,000	29,920	—
2013 Series A (2.65%) due 2040*	45,220	43,170	—
2013 Series B (2.65%) due 2041*	54,010	52,530	—
2013 Series D (2.55%) due 2034*	44,924	42,676	—
2013 Series C (2.65%) due 2040*	47,840	47,645	—
	881,994	393,171	394,325
Add: Unamortized debt premium	—	2,410	2,888
Total Special Homeownership Bond - Financed Program	881,994	395,581	397,213
Total	$ 3,077,450	$1,130,012	$ 1,345,823

The proceeds of bond issues denoted by "*" are used to purchase GNMA, Fannie Mae and FHLMC mortgage-backed securities, which are backed by mortgage loans originated through the Commission's loan programs.

The proceeds of bond issues denoted by "**" are used to provide financing for multifamily rental housing projects. These bonds are limited obligation, conduit debt issued by the Commission, payable solely from and secured by a loan agreement between the Commission and the borrower. The total aggregate amount of conduit debt outstanding was $88,354,000 at June 30, 2013, and $89,717,000 at June 30, 2012.

The bond issues denoted by "***" are general obligation bonds. All other bond issues are revenue bonds and conduit debt as described previously.

During the fiscal years ended June 30, 2013 and 2012, the Commission repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds. Net gains of $3,949,000 and $2,357,000 for the years ended June 30, 2013 and 2012, respectively, on early extinguishment of debt have been recorded and included with other income. These gains arise as a result of immediate recognition of bond premiums, net of immediate recognition of bond discounts, that would have been amortized over the life of the applicable bond issue if not retired and net of call premiums as required by the applicable bond indentures.

Bond Refundings

During the fiscal year ended June 30, 2013, the Commission issued Single Family Mortgage Revenue Refunding Bonds (Special Homeownership Loan Program) 2013 Series A, B and C in the aggregate amounts of $45,220,000, $54,010,000, and $47,840,000, respectively. The proceeds of the refunding bonds were used to refund the outstanding Single Family Mortgage Revenue Bonds (Special Homeownership Loan Program) Program Bonds 2009 Series E-1, E-3 and E-2, respectively. These refundings resulted in no difference between the reacquisition price and the net carrying amount of the old debt.

During the fiscal year ended June 30, 2013, the Commission issued Single Family Mortgage Revenue Refunding Bonds (Special Homeownership Loan Program) 2013 Series D in the aggregate amount of $44,924,000. The proceeds of the refunding bonds were used to refund the outstanding Single Family Mortgage Revenue Bonds (Homeownership Loan Program) 2003 Series A, B, C and D. The refunding resulted in a difference between the reacquisition price and the net carrying amount of approximately $1,127,000. This difference, reported in the accompanying financial statements as deferred inflows of resources, is being recognized in operations through the year 2034 using the bonds outstanding method.

During the fiscal year ended June 30, 2013, the Commission issued Taxable Multifamily Housing Refunding Revenue Bonds 2012 Series 1 in the aggregate amount of $42,740,000. The proceeds of the refunding bonds were used to refund the outstanding Multifamily Housing Revenue Bonds 2000 Series 1, 2001 Series 1A, 2001 Series 2A, 2002 Series 1, 2002 Series 2 and 2002 Series 4. The refunding resulted in no difference between the reacquisition price and the net carrying amount of the old debt.

During the fiscal year ended June 30, 2013, the Commission issued Taxable Multifamily Housing Refunding Revenue Bonds 2013 Series 2 in the aggregate amount of $15,560,000. The proceeds of the refunding bonds were used to refund the outstanding Multifamily Housing Revenue Bonds 2003 Series 1, 2, 3, 4 and 7. The refunding resulted in no difference between the reacquisition price and the net carrying amount of the old debt.

The Commission completed the refundings to reduce its total debt service payments and to obtain an economic gain (difference between the present values of the old and new debt service payments) as follows (in thousands):

Refunding Bonds Issued	Reduction to Debt Service	Years of Debt Service	Economic Gain
Single Family Mortgage Revenue Refunding Bonds (Special Homeownership Loan Program)			
2013 Series A	$ 2,354	27	$ 2,069
2013 Series B	1,849	28	2,086
2013 Series C	1,037	27	388
2013 Series D	11,513	21	9,623
Taxable Multifamily Housing Refunding Revenue Bonds			
2012 Series 1	10,932	26	7,258
2013 Series 2	3,041	27	1,710

All bonds have early redemption provisions. A summary of future annual scheduled principal and interest maturities, which excludes unamortized debt discounts and premiums, follows (in thousands):

Bonds Maturing During Years Ending June 30, 2013	Principal	Interest	Total
2014	$ 23,972	$ 42,076	$ 66,048
2015	23,277	41,876	65,153
2016	21,366	41,273	62,639
2017	20,363	40,654	61,017
2018	18,639	40,069	58,708
2019 - 2023	109,860	190,137	299,997
2024 - 2028	147,737	168,746	316,483
2029 - 2033	182,667	135,524	318,191
2034 - 2038	357,571	89,806	447,377
2039 - 2043	204,487	16,011	220,498
2044 - 2048	3,872	615	4,487
2049 - 2053	2,804	21	2,825
2054 - 2058	900	—	900
	$ 1,117,515	$ 806,808	$ 1,924,323

In addition to bonds payable, the Commission utilizes short-term FHLB advances. There were no advances outstanding at June 30, 2013 and $2,193,000 at June 30, 2012. The short-term FHLB advances included rollover financings of $238,858,000 in fiscal year 2013 and $1,238,685,000 in fiscal year 2012.

6. Escrow Deposits and Rent Subsidies Payable

Escrow deposits represent funds paid by project mortgagees for real estate taxes, insurance, future replacement of property and other costs.

Rent subsidies payable represent funds received from HUD for payment of rent subsidies to participants in the Housing Assistance Programs and for other programs.

Such funds held by the Commission are included in restricted cash, restricted cash equivalents and restricted investments.

7. Restrictions and Designations

Restricted Cash and Investments

Substantially all of the assets of each bond program of the Commission are pledged as collateral for the payment of principal and interest on bond indebtedness of that program. Therefore, all related bond program assets of the Commission that are pledged as collateral are treated as restricted and noncurrent. The obligations of the Commission are not obligations of the State, and the State is not liable for such obligations. The Trust Indentures between the Commission and the Trustees establish special accounts for the segregation of assets and restrictions on the use of bond proceeds and certain other funds received.

Resolutions of the Commission require that, to the extent funds are available in the general account of each bond fund, they are to be transferred to a debt service account on a periodic basis, from the date of bond issuance to the date of each succeeding maturity, sufficient to make principal and interest payments on the bonds as they become due. Funds within the general account of each bond fund are on deposit in restricted accounts.

In addition, the statute and resolutions of the Commission require that for certain bond issues an amount be maintained in reserve accounts to be used to make principal and interest payments on payment due dates. Such amounts are on deposits in restricted accounts for the various issues within the Multifamily Bond-Financed Programs, the Rural Growth and Homeownership Bond-Financed Programs and the Special Homeownership Bond-Financed Program.

As of June 30, 2013 and 2012, the assets of all accounts satisfied the requirements as established by the Trust Indentures. Such assets are restricted as follows (in thousands):

	2013	2012
Program and Construction Funds - construction escrows and other restricted funds	**$ 32,391**	$ 40,061
Mortgage Escrow Accounts - insurance, taxes, replacement reserves and other mortgage escrows	**95,394**	96,347
Federal Program Funds	**2,329**	1,804
Missouri Housing Trust Fund	**4,508**	3,912
Bond Proceeds Accounts - funds for purchase of qualified mortgage-backed securities or mortgage loans and payment payment of cost of issuance	**59,045**	42,514
Revenue and Debt Service Funds - program revenues for debt services payments	**119,155**	143,177
Debt Service and Other Bond Reserve Accounts - reserves held as required by bond indentures, including: debt service reserves, mortgage reserves and capitalized interest	**20,423**	37,982
	$ 333,245	$ 365,797

Restricted Net Position

Pursuant to certain bond resolutions, the Commission has restricted the net position of the Multifamily 2000 Indenture and Other Bond-Financed Mortgage Programs, the Rural Growth and Homeownership Bond-Financed Programs and the Special Homeownership Bond-Financed Program to maintain a level of reserves necessary to provide sound fiscal operations. In addition, net position associated with the federal grant agreements of the HOME Investment Partnership Program, Rural Housing and Economic Development and Tax Credit Assistance Program (TCAP) are restricted. In fiscal year 1997, the Commission acquired a portfolio of loans from HUD. Revenues collected from these HUD-purchased loans are restricted by an agreement between the Commission and HUD to be used primarily for rehabilitation loans or grants.

Pursuant to State Statute, the Commission has restricted the amount of net position representing revenues over expenses related to the financial activity of the Missouri Housing Trust Fund. The Missouri Housing Trust Fund is authorized by Section 215.034, RSMo. Revenues of the Missouri Housing Trust Fund are restricted to programs that financially assist, through loans or grants, the development of housing stock and that provide housing assistance to persons and families with incomes at or below specified levels.

Below is a summary of restricted net position by bond resolution and State Statute as of June 30, 2013 and 2012 (in thousands):

	2013	2012
Restricted Net Position		
Restricted by bond resolution	**$ 181,895**	$ 220,254
Restricted by collateral custodial agreement - FHLB	**17,511**	28,472
Restricted by Grant Agreement - HOME Investment Partnership Program	**186,476**	184,365
Restricted by Grant Agreement - Rural Housing and Economic Development	**5**	110
Restricted by Grant Agreement - TCAP	**30,393**	30,367
Restricted earnings of HUD-purchased Loans	**10,056**	9,878
Restricted by State Statute - Missouri Housing Trust Fund	**4,384**	3,829
Total Restricted Net Position	**$ 430,720**	$ 477,275

Commission Designated Net Position

The Commission has designated certain unrestricted net position for its affordable housing programs. The Commission has the discretion to reverse any designated net position and as of June 30, 2013 and 2012, has designated the following amounts (in thousands):

	2013	2012
Designated by Commission for:		
Tenant assistance	**$ 38,889**	$ 29,912
Loans not funded by a bond sale	**91,643**	83,559
Loan commitments not yet disbursed	**13,295**	12,117
Home Improvement and Multifamily Interest Subsidy Program	**4,687**	5,001
Single Family Homeownership Program	**20,000**	20,000
Single Family Cash Assistance Program	**21,500**	18,347
Bellefontaine Habilitation Center Rehabilitation Grant	**1,420**	2,225
Rural Initiative Program	**990**	983
Total Commission Designated Net Position	**$ 192,424**	$ 172,144

8. Pension Plan

All eligible Commission employees participate in the Missouri State Employees' Plan (MSEP). This plan is a single-employer public employee defined benefit plan in which the Commission participates under a special cost-sharing multiple employer arrangement. The plan is administered by the Missouri State Employees' Retirement System (MOSERS). MSEP provides retirement, death and disability benefits to its members. As established by Missouri State Statutes, responsibility for the operation and administration of MSEP is vested in the Missouri State Employees Retirement System Board of Trustees. MOSERS issues a publicly available financial report that includes financial statements and required supplementary information for MSEP. That report may be obtained by writing to the Missouri State Employees Retirement System, P.O. Box 209, Jefferson City, Missouri 65102, or on their website at www.mosers.org.

Covered employees hired prior to January 1, 2011, do not contribute toward MSEP. Covered employees hired on or after January 1, 2011, contribute 4% of pretax pay to the MSEP. The employer is required to contribute at an actuarially determined rate. The contribution requirements for the years ended June 30, 2013, 2012 and 2011, was $824,000, $779,000 and $815,000, respectively, of which the Commission contributed 100%. These contributions represent 14.3%, 13.8% and 13.6% of total salaries during 2013, 2012 and 2011, respectively. These contributions are expensed by the Commission when incurred.

The annual required contributions for MSEP for the current year was determined as part of an actuarial valuation of MSEP as of June 30, 2011, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MSEP includes (a) rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 4% per year annually, attributable to inflation, and (c) the assumption that benefits will increase between 2.56% and 3.2% per year after retirement. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market returns over a five-year period.

In accordance with GASB accounting and financial reporting requirements, the Commission currently has no pension liability, as required contributions are paid when due. This treatment is consistent with prior years; however, see Note 12 for future changes in accounting standards.

9. Other Postemployment Benefits

In addition to the retirement benefits described in Note 8, the state of Missouri (the "State") provides postemployment health care and life insurance benefits, in accordance with State Statutes, to eligible Commission employees who retire and elect to participate. These health care benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP). This plan is a single-employer defined benefit plan in which the Commission participates under a special cost-sharing multiple employer arrangement. MCHCP issues a publicly available financial report that includes financial statements and required supplementary information for MCHCP. That report may be obtained by writing to the Missouri Consolidated Health Care Plan, 832 Weathered Rock Court, P.O. Box 104355, Jefferson City, Missouri 65110-4355, or on their website at www.mchcp.org. There are currently seventeen Commission retirees enrolled for health care benefits. The life insurance benefits are administered by the Missouri State Employees' Retirement System (MOSERS). The eligible number of retirees for MOSERS for life insurance benefits is 56. Health care benefits are funded through both employer and retiree contributions. MOSERS' life insurance benefits are funded through employer contributions. Insurance policies are purchased for life insurance benefits and are the liability of the insurance carrier. For each year of retirees' service, the State will pay 2.5% of the monthly health care premium, up to a maximum of 65%, subject to State appropriation. The retiree pays the balance of the premiums. To fund the State's portion, during fiscal year 2013, the State assessed a charge that ranged from 3.91% to 4.08% of total employee salary to the Commission. During fiscal year 2012, this charge ranged from 4.03% to 4.24% of total employee salary. The charge assessed is independent of how many retirees the Commission may have receiving benefits. Expenses for postretirement health care benefits charged to the Commission by the State are recognized when incurred. During fiscal years 2013, 2012 and 2011, expenses of approximately $219,000, $222,000 and $243,000 were recognized for postretirement health care benefits, respectively, which represent 100% of the required amount.

10. Commitments, Contingencies and Concentrations

Leases

The Commission rents office space in Kansas City, Missouri, in accordance with a three-year lease, and in St. Louis, Missouri, in accordance with a 10-year lease. Both of these leases are accounted for as operating leases.

Lease expenditures for the years ended June 30, 2013 and 2012 were $822,000 and $787,000, respectively. Future minimum lease payments for these leases are as follows (in thousands):

Year	Amount
2014	$ 729
2015	556
2016	310
2017	26
	$ 1,621

Federal Programs

The Commission participates in various federal grant programs, primarily with HUD. In addition to an annual financial audit, the Commission is also subject to program audits, as deemed necessary by its federal grantor agencies that may result in disallowed costs to the Commission. The Commission's management does not believe such audits would result in any disallowed costs that would be material to the Commission's financial position at June 30, 2013.

Litigation

From time to time, the Commission may be a defendant in legal actions related to its programs and operations. While the final outcomes of these legal actions vary, management is of the opinion that the ultimate liability, if any, will not have a material effect on the Commission's financial position.

Other

The Commission is the administrator of the Project-Based Section 8 program in the State. This contract, which terminates December 31, 2013, resulted in $123,843,000 and $119,353,000 in housing assistance payment revenue and expense activity for the fiscal years ended June 30, 2013 and 2012, respectively. This contract may at the option of HUD be extended for successive renewal terms of three months each through December 31, 2014. HUD has competitively bid this program administration for which the Commission submitted an application. The ultimate outcome of this selection process is pending.

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. In addition, the Commission carries commercial insurance for workers' compensation. The Commission retains risk of loss; however, there have been no settlements which exceeded insurance coverage in the last three years.

The Commission has committed to mortgage loans funded by the operating fund net position of $30,959,000 that have not been disbursed as of June 30, 2013.

11. Subsequent Events

In December 2012, the Commission authorized the issuance of Multifamily Housing Revenue Bonds, 2013 Series 3 Shepard Apartments Project. In accordance with this authorization, bonds totaling $12,030,000 were sold and delivered in July 2013.

In June 2012, the Commission authorized two multifamily housing revenue bond issues that are expected to be issued during fiscal year 2014 and will not exceed a total of $9,000,000.

12. Future Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will require governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and will expand required disclosures. This Statement will be effective for the Commission's fiscal year ending June 30, 2015. The Commission has not yet determined the effect that the adoption of this Statement will have on its financial statements.

Supplementary Information

MISSOURI HOUSING DEVELOPMENT COMMISSION

COMBINING STATEMENT OF NET POSITION
June 30, 2013
(In Thousands)

		Bond-Financed Programs				
	Operating	Multifamily 2000 Indenture	Other Multifamily	Rural Growth & Homeownership	Special Homeownership	Total
Assets						
Current Assets						
Cash and cash equivalents	$ 28,583	$ —	$ —	$ —	$ —	$ 28,583
Investments	3,029	—	—	—	—	3,029
Mortgage investments	8,700	—	—	—	—	8,700
Accrued interest receivable	1,605	—	—	—	—	1,605
Accounts receivable - other	438	—	—	—	—	438
Prepaid expenses	10	—	—	—	—	10
Total Current Assets	42,365	—	—	—	—	42,365
Noncurrent Assets						
Restricted assets						
Cash and cash equivalents	7,528	32,716	18,341	60,194	56,852	175,631
Investments	33,019	7,262	86,907	30,426	—	157,614
Mortgage investments	216,914	171,711	94,081	486,806	369,350	1,338,862
Accrued interest receivable	296	1,117	181	2,335	1,302	5,231
Accounts receivable - other	—	—	347	7	—	354
Total restricted assets	257,757	212,806	199,857	579,768	427,504	1,677,692
Investments	166,658	—	—	—	—	166,658
Mortgage investments, net of current portion and allowances for loan losses of $43,322	57,619	—	—	—	—	57,619
Capital assets, less accumulated depreciation of $3,981	745	—	—	—	—	745
Total Noncurrent Assets	482,779	212,806	199,857	579,768	427,504	1,902,714
Total Assets	525,144	212,806	199,857	579,768	427,504	1,945,079
Deferred Outflows of Resources	—	—	201	204	—	405

MISSOURI HOUSING DEVELOPMENT COMMISSION

COMBINING STATEMENT OF NET POSITION *(Continued)*
June 30, 2013
(In Thousands)

		Bond-Financed Programs				
	Operating	Multifamily 2000 Indenture	Other Multifamily	Rural Growth & Homeownership	Special Homeownership	Total
Liabilities						
Current Liabilities						
Bonds and notes payable	$ 19	$ —	$ —	$ —	$ —	$ 19
Accounts payable	1,351	—	—	—	—	1,351
Unearned revenue	1,209	—	—	—	—	1,209
Total Current Liabilities	2,579	—	—	—	—	2,579
Current Liabilities - Payable from Restricted Assets						
Bonds and notes payable	—	3,649	2,365	8,326	11,150	25,490
Accrued interest payable	—	3,805	26	7,308	1,496	12,635
Escrow deposits	8,466	—	94,090	—	—	102,556
Rent subsidies and other payables	338	—	—	—	—	338
Accounts payable	128	—	478	117	—	723
Total Current Liabilities - Payable from Restricted Assets	8,932	7,454	96,959	15,751	12,646	141,742
Noncurrent Liabilities						
Bonds and notes payable	—	—	—	—	—	—
Unearned revenue	9,016	—	—	—	—	9,016
Payable from restricted assets						
Bonds and notes payable	—	187,477	91,860	440,754	384,431	1,104,522
Total Noncurrent Liabilities	9,016	187,477	91,860	440,754	384,431	1,113,538
Total Liabilities	20,527	194,931	188,819	456,505	397,077	1,257,859
Deferred Inflows of Resources	—	—	—	—	1,113	1,113
Net Position						
Net investment in capital assets	745	—	—	—	—	745
Restricted	248,825	17,875	11,239	123,467	29,314	430,720
Unrestricted, including designated balances	255,047	—	—	—	—	255,047
Total Net Position	$ 504,617	$ 17,875	$ 11,239	$ 123,467	$ 29,314	$ 686,512

MISSOURI HOUSING DEVELOPMENT COMMISSION

COMBINING STATEMENT OF REVUNES, EXPENSES AND CHANGES IN NET POSITION

June 30, 2013

(In Thousands)

		Bond-Financed Programs				
	Operating	Multifamily 2000 Indenture	Other Multifamily	Rural Growth & Homeownership	Special Homeownership	Total
Operating Revenues						
Interest and investment income						
Income - mortgage investments	$ 6,782	$ 9,794	$ 861	$ 30,321	$ 14,089	$ 61,847
Income - investments	4,492	296	78	1,291	23	6,180
Net decrease in fair value of investments	(1,142)	(852)	(2,905)	(32,927)	(8,181)	(46,007)
Total interest and investment income	10,132	9,238	(1,966)	(1,315)	5,931	22,020
Administration fees	5,216	—	—	—	—	5,216
Other income	6,501	2	—	3,622	327	10,452
Federal program income	135,477	—	—	—	—	135,477
Total Operating Revenues	157,326	9,240	(1,966)	2,307	6,258	173,165
Operating Expenses						
Interest expense on bonds	28	7,942	450	28,153	11,363	47,936
Bond debt expense	22	836	12	176	2,146	3,192
Compensation	8,348	—	—	—	—	8,348
General and administrative expenses	4,238	—	—	—	—	4,238
Rent and other subsidy payments	1,936	—	—	—	—	1,936
Housing Trust Fund grants	2,732	—	—	—	—	2,732
Federal program expenses	134,784	—	—	—	—	134,784
Total Operating Expenses	152,088	8,778	462	28,329	13,509	203,166
Change in Net Position	5,238	462	(2,428)	(26,022)	(7,251)	(30,001)
Net Position - Beginning of Year, as Restated	496,259	17,880	14,739	155,318	32,317	716,513
Interfund Transfers	3,120	(467)	(1,072)	(5,829)	4,248	—
Net Position - End of Year	$ 504,617	$ 17,875	$ 11,239	$ 123,467	$ 29,314	$ 686,512